List of the Constitution, 'tax on purchase or sale of goods within a State' is a State subject. Thus, the State Sales Tax as well as State VAT (which has replaced the State Sales Tax) is a State subject. An Empowered Committee of State Finance Ministers (EC) has been constituted to decide all matters concerning Sales Tax/VAT, including the structure of rates of tax on various commodities. The EC has decided different rates for various petroleum products. Motor Spirits (including Petrol, Diesel and Aviation Turbine Fuel) are non-vatable and are subject to 20% floor rate of tax (except that the floor rate for diesel is 12.5% in case of North-Eastern States, Sikkim and J&K). States may levy taxes at rates higher than the floor rates for these items. Therefore, the rates of tax on these items vary from State to State. The rate of tax for Cooking Gas (LPG), Natural Gas, Naphtha, Lubricants, Low Sulphur Heavy Stock (LSHS) and Compressed Natural Gas (CNG) is 12.5% under VAT. PDS Kerosene is taxable @4%.

Since Sales Tax/VAT is a State subject, it is entirely for the EC and the State Governments to take a decision regarding rates on tax on various petroleum products. There is no question of the State Governments making representation to the Central Government or the Central Government deciding to fix uniform sales tax on petroleum products.

Capital investment in the villages

†2320. SHRI PYARELAL KHANDELWAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that economic reforms and globalization have caused more harm and less benefit to the villages;

(b) whether it is also a fact that relative success could not be achieved in the field of capital investment in the villages despite various efforts;

(c) if so, the steps Government have taken in this regard during last three years, year-wise; and

(d) if not, the reasons therefore?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (d) The process of economic reform and globalisation has been calibrated in a manner so as to benefit villages.

The Government has recognized the need for capital investments and creation of infrastructure in villages. Some of the major initiatives during the last few years for improving the rural economy include higher allocations

†Original notice of the question was received in Hindi.

under Accelerated Irrigation Benefit Programme, revival of Rural Infrastructure Development Fund, launching schemes for repair, renovation and restoration of all water bodies, developing horticulture and improving water management. To give further boost to capital investments in rural areas, a programme for creation of rural infrastructure under Bharat Nirman has been initiated in 2005-06. National Rural Employment Guarantee Programmes launched in selected backward districts is also intended to ensure higher wage employment and promote creation of productive assets in rural areas. In addition, allocation for Backward Region Grant Fund has also been stepped up. The various programmes/measures are expected to increase capital investment in the villages and promote their development.

Raising of tax GDP ratio by weaker States

2321. SHRI RAVULA CHANDRA SEKAR REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether Government have advised the financially weaker States to raise their tax GDP ratios and make effective use of funds in the social sectors;

(b) if so, the details of such States identified and the progress so far achieved in this direction;

(c) whether Government have also advised the weaker States to enact the Fiscal Responsibility and Budget Management Act which would enable them to borrow directly from the market; and

(d) if so, the response from each State received so far?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Subsequent to acceptance of the recommendation of the Twelfth Finance Commission (TFC) with respect to the Debt Consolidation and Relief Facility (DCRF), Government of India has issued detailed guidelines on the scheme. Under these guidelines, Government of India has requested all State Governments whether financially weak or otherwise to keep in view various suggestions of TFC to improve the financial position of States, including widening of tax base to achieve the tax growth rates projected by TFC for States. Government of India has also requested all State Governments to make Plan and Non-Plan Outlays outcome oriented, in the interest of making public expenditure productive and transparent.